

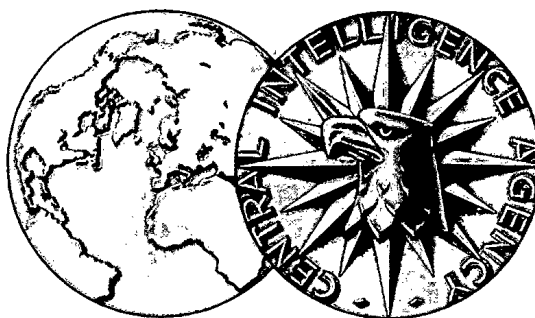
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Plans & Policy

POSSIBLE DEVELOPMENTS IN CHINA



ORE 27-48

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POSSIBLE DEVELOPMENTS IN CHINA

SUMMARY

1. The disappearance of the Chinese National Government, as presently constituted, will probably occur within the next few months.
2. It is inconceivable that the existing regime can rally to stabilize the situation on a new line in Central China.
3. Even if the National Government as presently constituted continues to exist, the Communists may be expected to win control of north and central China east of Kansu Province, while non-Communist China may be expected to disintegrate into quasi-independent regional holdings, the actual authority of the National Government being progressively restricted to the immediate environs of its place of refuge.
4. It is probable that, before the completion of the process indicated above, Chiang Kai-shek will be displaced. His elimination, however, will probably hasten the disintegration of non-Communist China.
5. After all organized Nationalist resistance has ceased, the end of civil hostilities will probably be marked by the formation of a new coalition government, to include significant elements of the present National regime. It would be possible for such a coalition to seek unity on the turning issue of "anti-imperialism," but it is also possible that such a regime would avoid antagonizing the US.
6. Although the Communists would dominate any national government based on such a coalition, the consolidation of their political control over China would not be easy or rapid. They, in their turn, would be confronted by the formidable political and economic problems which the Kuomintang has failed to solve, and their competence to deal with these problems remains untested. Moreover, the greater the success of the Chinese Communists, the greater will be the Kremlin's disposition to assure Soviet control, and the greater will be the difficulty of reconciling Soviet interference with China's national interests.

Note: The information herein is as of 10 November 1948.

The intelligence organizations of the Departments of State, Army, Navy and the Air Force have concurred in this report.

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POSSIBLE DEVELOPMENTS IN CHINA

1. The Present Situation.

For a year and a half the military, economic, and political position of the Chinese National Government has been progressively deteriorating. Repeatedly it has been predicted that this trend, if not arrested, must lead eventually to a disintegration of the regime. Recent developments indicate that the catastrophe is rapidly approaching.

The National Government, consistently inept in its conduct of military operations, exclusive in its attitude toward more dynamic political forces in non-Communist China, largely incompetent and corrupt, has proved incapable of dealing with either the economic and social problems of China or the Communist military insurrection, and has forfeited public confidence. Recent military disasters, for which Chiang Kai-shek must bear a large measure of personal responsibility, have been marked by defections of Government troops and have resulted in the annihilation of a large proportion of the Government's effective military strength. The shock of these events has precipitated an already impending financial collapse. It is unlikely that the present national leadership can overcome the resultant demoralization and arouse a new spirit of national resistance to Communism.

Even in these circumstances, however, it would be uncharacteristic of the present regime either to give up the struggle against Communism or to make way for alternative national leadership. The regime may be expected to continue to resist, with such support as it can command, until forcibly superseded, or until finally overborne.

2. The Possibility of Stabilization on a New Line.

Stabilization of the situation on a new line in Central China might well have been accomplished at an earlier stage in the civil conflict. It might still have been accomplished had substantial forces been successfully withdrawn from exposed positions before the recent debacles and had they been promptly and well supplied with required matériel. It is inconceivable in present circumstances.

3. Continuation of the Existing Regime and Trend.

Even if the National Government as presently constituted continues to

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exist, a continuation of the present trend in the civil war, at an accelerating pace, is probable. The Communists will rapidly extend their control over north and central China east of Kansu Province. As the prestige and power of the National Government decline under continuing defeat and financial collapse, provincial authorities in Inner Mongolia and southern and western China will assume increasing degrees of independence, whether or not they publicly repudiate the authority of Chiang Kai-shek. Eventually the authority of the National Government will become purely nominal and limited in practical effect to the immediate environs of its place of refuge.

4. The Displacement of Chiang Kai-shek.

It is probable that, before the process indicated above has run its course, Chiang Kai-shek will be displaced. Since all indications are that Chiang will not retire voluntarily, his elimination will be either accidental and unexpected, or planned, with the latter the more likely. In the immediate future a coup to eliminate him probably can be effected only by a combination including the Vice President, Li Tsung-jen, with Li succeeding constitutionally to the presidency. Although the ostensible purpose of the coup would be to bring about a more vigorous leadership, its actual effect would probably be to hasten the disintegration of non-Communist China. (For more detailed discussion of the prospects and immediate consequences of the elimination of Chiang Kai-shek, see Appendix.)

5. "Coalition" with the Communists.

After all organized Nationalist resistance has ceased, the end of the civil conflict will be marked by the formation of a new government which will probably be a "coalition" of Communist and non-Communist elements rather than an exclusively Communist dictatorship. A psychological basis for such a coalition already exists in the deep yearning of China for respite from war. It is possible that a common ground will be reached by the new government through turning inner antagonism outward against discredited Kuomintang leaders and foreign (US) "imperialism", to which all the evils of the civil war would be attributed. It is equally possible, however, that the new government will avoid antagonizing the US, in the hope of early US recognition and material aid.

With the present and prospective trend of the civil war in their favor, the Communists may be expected to continue hostilities until the National

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Government has been militarily defeated and has no alternative to final destruction other than "coalition" on Communist terms. Thereafter the Communists would seek to exploit "coalition" as a means of consolidating their control of all China. Meanwhile they have not neglected political preparation for "coalition", accentuating the themes of peace and anti-imperialism, assuming a conciliatory attitude toward all "democratic" elements (such as the Democratic League), and preparing such non-Communist figures as Marshal Li Chi-shen for window dressing.

To be effective as a governing instrument for all China, however, the "coalition" would have to include significant elements of the present National Government. So long as Chiang Kai-shek remains in power, any such "coalition" is virtually impossible. Even with Chiang displaced, Li Tsung-jen probably would not immediately enter into a "coalition" with the Communists. Eventually, however, he or his successors might be forced to do so, as might various quasi-independent local authorities.

6. Prospects for Consolidation of Communist Control.

Although the Communists would dominate any eventual coalition, the consolidation of their political control over all China would not be quickly or easily achieved. A "coalition" would unquestionably be the familiar device for the accomplishment of that purpose, but the situation in China would be radically different from that in a Soviet-occupied East European state.

Hitherto the Chinese Communists have been spared the problems of administering a national government: the maintenance of political order on a nation-wide scale, and the management of a national economy. Their successes have been limited to the political organization and economic management of rural areas at a primitive level of self-sufficiency, and to the conduct of an essentially disruptive type of warfare. Their competence to deal with the larger problems which Chiang Kai-shek has failed to solve remains unproved. Inevitably they would have to enlist the services of elements in Chinese society which are essentially anti-Communist. Related to this consideration is the utter dependence of the urban economy of China on overseas trade. For all their "anti-imperialism," the Communists would find it extremely difficult to cope with the pressing economic problems of China in a state of isolation from the Western Powers.

Although the Chinese Communists have been and are an instrument of

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Soviet policy, it is by no means certain that they are or will be a reliable instrument. The Chinese Communists present themselves primarily in terms of national interest, rather than in terms of their role in the international Communist movement. In stressing their intent to protect China from "imperialism", and simultaneously appealing to Chinese nationalism, the Communists may be in a difficult position when the issue of subervience to Moscow becomes more sharply defined.

The above issue may indeed have divisive effects within the Chinese Communist Party. Although the Chinese Communists are admittedly Communists, their potential independence of the Kremlin is greater than that of the Yugoslav Communists, and, except for them, unique. The greater the success of the Chinese Communists, the greater will be the Kremlin's disposition to interfere in China in order to assure Soviet control, and the greater will be the difficulty of reconciling this interference with Chinese interests.

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APPENDIX

**Prospects and Immediate Consequences of the Elimination
of Chiang Kai-Shek**

Chiang Kai-shek for more than 20 years has been both the unwavering opponent of Communism and the leading advocate of national unification as opposed to regionalism in China. His insistence on unification has always encountered serious opposition, sometimes with disastrous consequences, as illustrated notably in postwar developments in both Manchuria and Taiwan (Formosa). His removal from the presidency might lead to a struggle for power among elements of the new government, and also might increase tendencies toward regionalism and separatism. His sudden elimination would perhaps introduce a period of chaos and accelerated disintegration. His planned and orderly removal, even though a successor government came into power with a minimum of confusion, would in any case greatly dilute the determination of the government in its anti-Communist effort.

1. Prospects of the Elimination of Chiang Kai-shek.

It is possible that Chiang Kai-shek will be removed from his position as President of the Republic of China at any time. Although there is no reliable evidence, at the moment, of a plot to overthrow him, and although it would be out of character for him to resign voluntarily, forces operating to bring about his removal are stronger than ever before. In addition to his lack of popular support, and the mounting criticism of his Government because of its unsuccessful economic measures, he now is held responsible for recent military disasters, and the Nationalist Army, hitherto his most important source of strength, is rapidly crumbling.

2. Ways in Which Chiang Can Be Eliminated.

Chiang's removal can occur unexpectedly (e.g., by death) or other preparations have been made (e.g., forced resignation). In the first case, it is remotely possible that his departure will be so abrupt as to find prominent Nationalist leaders unprepared to operate the government. This would mean an immediate period of confusion and uncertainty in Nationalist China.

It appears more likely, however, that his removal would be brought

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about by forced resignation or a coup d'état, possibly including his assassination. In this event, it is assumed that the group applying the pressure or staging the coup would be immediately prepared to operate the government, and that the confusion attending a turn-over of power would be reduced. Those persons who might employ coercion or participate in a coup to remove Chiang are believed to include many highly placed officials in the National Government. It is unlikely, however, that, within the period of the next few weeks, either the Chinese Communists or the dissident Nationalist group centered in Hong Kong would be capable of staging such a coup.

S. Probable Composition of an Anti-Chiang Movement.

Regardless of whether an anti-Chiang movement uses coercion or carries out a coup d'état to unseat Chiang, it is probable that a successor National Government, not including whatever separatist regimes may develop, would be dominated by leaders oriented toward Vice President Li Tsung-jen. Elected last April as an avowed reformer and despite the Generalissimo's wishes, Li is the legal heir to the presidency. He has the backing of various groups in the Legislative Yuan and the probable support of powerful military leaders. He very probably would have the assistance of his former Kwangsi associate, Pai Chung-hsi, who occupies a key position as commander of Nationalist military forces in Central and East China. In addition to helping Li to gain support in South China, Pai might be able to hold the allegiance of his fellow Moslems Ma Hung-kwei and Ma Pu-fang, warlords of Northwest China. Li has had close relations with Fu Tso-yi, chief Nationalist commander in North China, and for some years the principal power in Inner Mongolia.

Chang Chih-chung, Director of the Generalissimo's Northwest Headquarters, who is known to have favored a peace settlement with the Communists but who has been publicly loyal to the National Government, might support a government headed by Li. Possibly certain political leaders, such as Wang Shih-chieh, Minister of Foreign Affairs, and Yu Ta-wei, Minister of Communication, who are said to favor a peace program implemented by Soviet mediation, would continue with a new regime. T. V. Soong, Governor of Kwangtung, who has considerable military and civil authority in South China, might ally himself with the post-Chiang National Government, or as an alternative, set up a rival separatist regime in Canton, perhaps allied with the governors of other South China provinces. The CC Clique, which controls the Kuomintang, is already in decline, and would probably decline further with the

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ascendancy of the Li group, both because it has strongly opposed Li and because it is intolerable to the Communists. Ho Ying-chin, Minister of National Defense, and older leaders of the Whampoa Clique would probably lose power, although the younger Whampoa officers would tend to support Li's regime.

4. Intentions and Capabilities of a Post-Chiang National Government.

Most of the prominent Nationalist leaders who would be identified with a successor National Government have been too publicly and militantly anti-Communist to hope to reach any permanent understanding with the Communists in the immediate future. This would also be the case with those leaders who might attempt separately to exercise power over local areas. Certain individual leaders, however, notably Chang Chih-chung, the veteran Kuomintang leader, Shao Li-tze, and Wang Shih-chieh, who have at various times advocated an understanding with the Communists, would probably be desired by the Li group to facilitate negotiations for a compromise peace.

While an immediate understanding with the Communists is not probable, an eventual understanding or piecemeal capitulation is almost certain. At the present time the National Government controls approximately one million tactical troops but these Nationalist forces, in view of their lack of food, pay and supplies, and in view of previous widespread defections, cannot or will not long offer effective opposition to Communist forces.

A post-Chiang National Government, because of the nature of its leadership, would at first attempt to continue the struggle against the Communists, but would probably be even less successful in so doing than the present government. Such a government, therefore, would probably seek to negotiate with the Communists, either directly through such functionaries as Chang Chih-chung or Shao Li-tze, or indirectly through the good offices of the USSR. It is probable that the result of such negotiations would be a Communist-dominated "coalition" government, containing those elements of the Nationalist regime still acceptable to the Communists, and that this government would be established within six months of the removal of Chiang Kai-shek.

As an alternative, the post-Chiang regime might be so weakened by internal rivalries and regional tendencies that it would dissolve into separatist regimes. It is probable that, with the possible exception of those in the south and northwest, such regimes could be reduced to insignificance by the Communists, through military or political means, or both, within six months.

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